

WEST BRANCH COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2012

WEST BRANCH COMMUNITY SCHOOL DISTRICT
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WEST BRANCH COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Mike Owen	Board President	2013
Kathy Knoop	Board Member	2011
Deb Schreiber	Board Member	2011
Richard Paulus	Board Member	2011
Carolyn Harold	Board Member	2013
(After September 2011 Election)		
Mike Owen	Board President	2013
Carolyn Harold	Board Member	2013
Kathy Knoop	Board Member	2015
Deb Schreiber	Board Member	2015
Richard Paulus	Board Member	2015
School Officials		
Kevin Hatfield	Superintendent	2012
Angie Morrison	District Secretary/Treasurer	Indefinite
C. Joseph Holland	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District, West Branch, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of West Branch Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 1, 2013 on my consideration of West Branch Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Branch Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the nine years in the period ended June 30, 2012, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Branch Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,767,101 in fiscal 2011 to \$7,943,934 in fiscal 2012, and General Fund expenditures increased from \$7,338,466 in fiscal 2011 to \$7,815,763 in fiscal 2012. The District's General Fund balance increased from \$1,330,953 in fiscal 2011 to \$1,459,124 in fiscal 2012, a 10% increase.
- The increase in General Fund revenues was attributable to an increase in enrollment, Medicaid reimbursement and Special Ed Part B funding. The increase in General Fund Expenditures was primarily due to salary and benefit increases as well as some additional programs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Branch Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Branch Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Branch Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds, capital projects funds, and changes in fiduciary net assets

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

West Branch Community School District Annual Financial Report

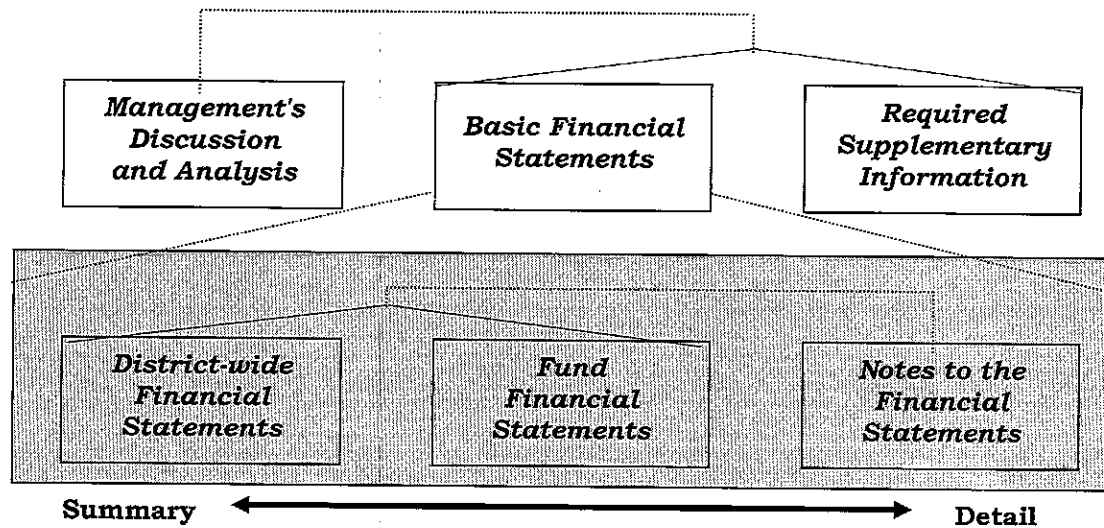


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as student assistance programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects, Debt Service and Special Revenue Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in a proprietary fund. The proprietary fund is reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary fund include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of an Agency Fund.

- Agency Fund – This is a fund through which the District administers and accounts for a student assistance program.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a statement of fiduciary net assets. A statement of changes in fiduciary net assets is included as supplementary information.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Current and other assets	\$ 8,001,943	\$ 10,159,558	\$58,878	\$ 59,624	\$ 8,060,821	\$ 10,219,182	-21.12%
Capital assets	<u>9,063,033</u>	<u>7,127,741</u>	<u>27,676</u>	<u>22,696</u>	<u>9,090,709</u>	<u>7,150,437</u>	27.14%
Total assets	<u>17,064,976</u>	<u>17,287,299</u>	<u>86,554</u>	<u>82,320</u>	<u>17,151,530</u>	<u>17,369,619</u>	-1.26%
Long-term liabilities	5,494,095	5,871,652	-	-	5,494,095	5,871,652	-6.43%
Other liabilities	<u>4,231,112</u>	<u>3,933,397</u>	<u>-</u>	<u>81</u>	<u>4,231,112</u>	<u>3,933,478</u>	7.57%
Total liabilities	<u>9,725,207</u>	<u>9,805,049</u>	<u>-</u>	<u>81</u>	<u>9,725,207</u>	<u>9,805,130</u>	-0.82%
Net assets							
Invested in capital assets,							
net of related debt	3,768,033	3,689,773	27,676	22,696	3,795,709	3,712,469	2.24%
Restricted	2,400,129	2,617,842	-	-	2,400,129	2,617,842	-8.32%
Unrestricted	<u>1,171,607</u>	<u>1,174,635</u>	<u>58,878</u>	<u>59,543</u>	<u>1,230,485</u>	<u>1,234,178</u>	-0.30%
Total net assets	<u>\$ 7,339,769</u>	<u>\$ 7,482,250</u>	<u>\$86,554</u>	<u>\$ 82,239</u>	<u>\$ 7,426,323</u>	<u>\$ 7,564,489</u>	-1.83%

The District's combined net assets decreased by approximately 2%, or \$138,166, over the prior year. The largest portion of the District's net assets is the restricted net assets. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$217,713, or approximately 8% from the prior year. The decrease in the restricted net assets was caused by the district utilizing categorical funding to a higher degree. The District is attempting to enhance student programs with the categorical funding available.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$3,693, or less than 1%. The decrease was primarily due to the District's amount of revenue in 2012 in relation to expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Revenues							
Program revenues							
Charges for service	\$ 802,967	\$ 390,370	\$ 235,115	\$ 233,392	\$ 1,038,082	\$ 623,762	66.42%
Operating grants	1,139,762	1,425,730	124,665	132,276	1,264,427	1,558,006	-18.84%
General revenues							
Property tax	4,253,412	4,044,856	-	-	4,253,412	4,044,856	5.16%
Statewide sales, services and use tax	663,992	596,187	-	-	663,992	596,187	11.37%
Unrestricted state grants	2,969,752	2,897,392	-	-	2,969,752	2,897,392	2.50%
Contributions and donations	33,032	484,277	-	-	33,032	484,277	-93.18%
Unrestricted investment earnings	18,777	34,151	352	404	19,129	34,555	-44.64%
Other	10,548	76,185	-	-	10,548	76,185	-86.15%
Special item - gain on sale of assets	-	-	8,592	15,975	8,592	15,975	-46.22%
Total revenues and special item	<u>9,892,242</u>	<u>9,949,148</u>	<u>368,724</u>	<u>382,047</u>	<u>10,260,966</u>	<u>10,331,195</u>	-0.68%
Program expenses							
Governmental activities							
Instruction	6,019,993	5,310,046	-	-	6,019,993	5,310,046	13.37%
Support services	2,620,860	2,587,199	-	-	2,620,860	2,587,199	1.30%
Non-instructional programs	-	5,926	364,409	357,409	364,409	363,335	0.30%
Other expenses	<u>1,393,870</u>	<u>1,384,444</u>	<u>-</u>	<u>-</u>	<u>1,393,870</u>	<u>1,384,444</u>	0.68%
Total expenses	<u>10,034,723</u>	<u>9,287,615</u>	<u>364,409</u>	<u>357,409</u>	<u>10,399,132</u>	<u>9,645,024</u>	7.82%
Change in net assets	-	661,533	4,315	24,638	(138,166)	686,171	-120.14%
Net assets, beginning of year	<u>7,482,250</u>	<u>6,820,717</u>	<u>82,239</u>	<u>57,601</u>	<u>7,564,489</u>	<u>6,878,318</u>	9.98%
Net assets, end of year	<u>\$ 7,482,250</u>	<u>\$ 7,482,250</u>	<u>\$ 86,554</u>	<u>\$ 82,239</u>	<u>\$ 7,426,323</u>	<u>\$ 7,564,489</u>	-1.83%

In fiscal 2012, property tax and unrestricted state grants account for 73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for approximately 98% of the revenue from business type activities.

The District's total revenues were \$10,260,966 of which \$9,892,242 was for governmental activities and \$368,724 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1% decrease in revenues and an 8% increase in expenses. Expenditures increased primarily due to salary increases and the gym/weight room project.

Governmental Activities

Revenues for governmental activities were \$9,886,834 and expenses were \$10,029,315 for the year ended June 30, 2012. The District continues to attempt to keep expenses below revenues whenever possible to maintain a strong financial position. This was not achieved in the 2012 fiscal year due to salary increases.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Instruction	\$ 6,019,993	\$ 5,310,046	13.4%	\$ 4,387,213	\$ 3,828,660	14.6%
Support services	2,620,860	2,587,199	1.3%	2,611,478	2,577,816	1.3%
Non-instructional programs	-	5,926	-100.0%	-	5,326	-100.0%
Other expenses	<u>1,393,870</u>	<u>1,384,444</u>	0.7%	<u>1,087,895</u>	<u>1,059,713</u>	2.7%
Total expenses	<u>\$ 10,034,723</u>	<u>\$ 9,287,615</u>	8.0%	<u>\$ 8,086,586</u>	<u>\$ 7,471,515</u>	8.2%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$802,967.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,139,762.
- The net cost of governmental activities was financed with \$4,917,404 in property and other taxes and \$2,969,752 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$368,724 representing a 3% decrease from the prior year while expenses totaled \$364,409, a 2% increase over the prior year. The District's business type activities

include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District attempted to enhance school lunches by implementing a salad bar and providing more fruits and vegetables. This did cause an increase in expenditures and a decrease in fund balance. Because enrollment was lower in 2011-12, revenues were lower because of less lunches being sold.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Branch Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,340,110 well below last year's ending fund balances of \$5,631,432. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to an decrease in the Capital Projects. A large portion of the gym/weight room project was completed in 2012 thus decreasing the balance in the Capital Projects fund.

Governmental Fund Highlights

- The General Fund balance increased from \$1,330,953 to \$1,459,124. This was due to an increase in revenue from increased enrollment along with cost saving measures by the district.
- The Capital Projects Fund balance decreased from \$3,967,052 in 2011 to \$1,576,161 in 2012. As stated before, this is primarily due to the gym/weight room project that is being funded by the sales revenue bonds sold in 2011. This project was completed in spring of 2012.
- The Debt Service Fund balance decreased from \$45,092 in 2011 to \$42,508 in 2012 as a result of the bond refunding and payments.

Proprietary Fund Highlights

Enterprise fund net assets increased from \$82,239 at June 30, 2011 to \$86,554 at June 30, 2012, representing an increase of approximately 5%. The District purchased equipment to enhance the lunch program.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year ended June 30, 2012.

The District's revenues were \$432,278 more than budgeted revenues, a variance of approximately 4%.

Total expenditures were \$447,120 more than budgeted, due to the refunding of the Sales Tax Bonds.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function as well as in total due to the refunding of the sales tax bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$9,090,709, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 27% over the prior year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$338,284.

The original cost of the District's capital assets was \$14,707,440. Governmental funds account for \$14,568,405, with the remainder of \$139,035 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, which decreased to nothing at 2012 from \$992,968 in 2011. This was due to the gym/weight room project being completed.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Land	\$ 116,055	\$ 116,055	\$ -	\$ -	\$ 116,055	\$ 116,055	0.00%
Construction in progress	-	992,968	-	-	-	992,968	-100.00%
Buildings and improvements	8,123,754	5,172,106	-	-	8,123,754	5,172,106	57.07%
Improvements, other than buildings	510,571	476,265	-	-	510,571	476,265	7.20%
Furniture and equipment	<u>312,653</u>	<u>370,347</u>	<u>27,676</u>	<u>22,696</u>	<u>340,329</u>	<u>393,043</u>	-13.41%
Totals	<u>\$9,063,033</u>	<u>\$7,127,741</u>	<u>\$27,676</u>	<u>\$22,696</u>	<u>\$ 9,090,709</u>	<u>\$7,150,437</u>	27.14%

Long-Term Debt

At June 30, 2012, the District had \$5,494,095 in total long-term debt outstanding. This represents a decrease of approximately 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13.9 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation bonds	\$ 2,175,000	\$ 2,445,000	-11.04%
Revenue bonds	3,120,000	3,255,000	-4.15%
Termination benefitis	42,556	69,668	-38.92%
Compensated absences	30,146	19,694	53.07%
Net OPEB liability	<u>126,393</u>	<u>82,290</u>	53.59%
Total	<u>\$ 5,494,095</u>	<u>\$ 5,871,652</u>	-6.43%

On March 6, 2012, the District issued \$2,175,000 of general obligation bonds to refund the general obligation bond issue of 2008. On June 1, 2012 the remaining balance of \$2,445,000 of the 2008 issue was called and paid from the proceeds of the refunding general obligation bonds.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment had a substantial increase in the fall of 2012 which will improve revenues for the 2013-14 year.
- The District completed the Gym/Weight Room in January of 2012 and this new facility could also draw more children to the school district.
- The Board refinanced the General Obligation Bonds in January of 2012 for a savings of over \$180,000 in interest over the next six years. This will also allow for some flexibility with tax levy during this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Morrison, Business Manager/Board Secretary/Treasurer, West Branch Community School District, 801 W Main Street, West Branch, IA 52358.

Basic Financial Statements

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents			
Cash with fiscal agent	\$ 449,224	\$ -	\$ 449,224
Other	2,733,079	55,208	2,788,287
Receivables			
Property tax			
Delinquent	41,668	-	41,668
Succeeding year	4,006,998	-	4,006,998
Accounts receivable	2,053	1,001	3,054
Income surtax	492,476	-	492,476
Due from other governments	276,445	-	276,445
Inventories	-	2,669	2,669
Non-depreciable capital assets	116,055	-	116,055
Capital assets, net of accumulated depreciation	<u>8,946,978</u>	<u>27,676</u>	<u>8,974,654</u>
Total assets	<u>17,064,976</u>	<u>86,554</u>	<u>17,151,530</u>
Liabilities			
Accounts payable	149,257	-	149,257
Salaries and benefits payable	13,102	-	13,102
Accrued interest payable	61,755	-	61,755
Deferred revenue			
Succeeding year property tax	4,006,998	-	4,006,998
Long-term liabilities			
Portion due within one year			
General obligation bonds	355,000	-	355,000
Revenue bonds	135,000	-	135,000
Termination benefits	42,556	-	42,556
Compensated absences	30,146	-	30,146
Portion due after one year			
General obligation bonds	1,820,000	-	1,820,000
Revenue bonds	2,985,000	-	2,985,000
Net OPEB liability	<u>126,393</u>	<u>-</u>	<u>126,393</u>
Total liabilities	<u>9,725,207</u>	<u>-</u>	<u>9,725,207</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets	\$ 3,768,033	\$ 27,676	\$ 3,795,709
Restricted for			
Categorical funding	357,969	-	357,969
Student activities	134,384	-	134,384
Management levy purposes	85,377	-	85,377
Physical plant and equipment	662,344	-	662,344
School infrastructure	1,160,055	-	1,160,055
Unrestricted	1,171,607	58,878	1,230,485
Total net assets	<u>\$ 7,339,769</u>	<u>\$ 86,554</u>	<u>\$ 7,426,323</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2012

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type	
					Activities	Activities
Governmental activities						
Instruction						
Regular instruction	\$ 4,110,713	\$ 394,155	\$ 817,094	\$ -	\$ (2,899,464)	\$ -
Special instruction	1,020,025	28,935	4,961	-	(986,129)	-
Other instruction	889,255	379,877	7,758	-	(501,620)	-
	6,019,993	802,967	829,813	-	(4,387,213)	-
Support services						
Student	204,282	-	-	-	(204,282)	-
Instructional staff	240,151	-	5,324	-	(234,827)	-
Administration	977,224	-	-	-	(977,224)	-
Operation and maintenance of plant	812,495	-	-	-	(812,495)	-
Transportation	386,708	-	4,058	-	(382,650)	-
	2,620,860	-	9,382	-	(2,611,478)	-
Other expenses						
Facilities acquisition	710,497	-	-	-	(710,497)	-
Long-term debt interest	246,007	-	-	-	(246,007)	-
AEA flowthrough	300,567	-	300,567	-	-	-
Loss on disposal of capital assets	5,408	-	-	-	(5,408)	-
Depreciation (unallocated) *	131,391	-	-	-	(131,391)	-
	1,393,870	-	300,567	-	(1,093,303)	-
	10,034,723	802,967	1,139,762	-	(8,091,994)	-
Total governmental activities						

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2012

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 364,409	\$ 235,115	\$ 124,665	\$ -	\$ -	\$ (4,629)
Total	<u>\$ 10,399,132</u>	<u>\$ 1,038,082</u>	<u>\$ 1,264,427</u>	<u>\$ -</u>	<u>\$ (8,091,994)</u>	<u>\$ (4,629)</u>
						<u>\$ (8,096,623)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes					3,388,050	-
Debt service					400,634	-
Capital outlay					464,728	-
Statwide sales, services and use tax					663,992	-
Unrestricted state grants					2,969,752	-
Contributions and donations					33,032	-
Unrestricted investment earnings					18,777	352
Other					10,548	-
Special item - gain on sale of capital assets					-	8,592
Total general revenues and special item					<u>7,949,513</u>	<u>8,944</u>
Change in net assets					(142,481)	4,315
Net assets, beginning of year					<u>7,482,250</u>	<u>82,239</u>
Net assets, end of year					<u>\$ 7,339,769</u>	<u>\$ 86,554</u>
						<u>\$ 7,426,323</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments					
Cash with fiscal agent	\$ -	\$ 449,224	\$ -	\$ -	\$ 449,224
Other	1,508,874	921,359	38,439	264,407	2,733,079
Receivables					
Property tax					
Delinquent	32,838	2,325	4,269	2,236	41,668
Succeeding year	3,157,146	289,782	375,070	185,000	4,006,998
Accounts receivable	275	500	-	1,278	2,053
Income surtax	246,238	246,238	-	-	492,476
Due from other governments	73,692	202,753	-	-	276,445
Total assets	<u>\$5,019,063</u>	<u>\$2,112,181</u>	<u>\$417,778</u>	<u>\$ 452,921</u>	<u>\$ 8,001,943</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 143,453	\$ -	\$ 200	\$ 5,604	\$ 149,257
Employee benefits payable	13,102	-	-	-	13,102
Deferred revenue					
Succeeding year property tax	3,157,146	289,782	375,070	185,000	4,006,998
Income surtax	246,238	246,238	-	-	492,476
Total liabilities	<u>3,559,939</u>	<u>536,020</u>	<u>375,270</u>	<u>190,604</u>	<u>4,661,833</u>
Fund balances					
Restricted for					
Categorical funding	357,969	-	-	-	357,969
Debt service	-	-	42,508	-	42,508
Management levy purposes	-	-	-	127,933	127,933
Student activities	-	-	-	134,384	134,384
School infrastructure	-	1,160,055	-	-	1,160,055
Physical plant and equipment	-	416,106	-	-	416,106
Unassigned	1,101,155	-	-	-	1,101,155
Total fund balances	<u>1,459,124</u>	<u>1,576,161</u>	<u>42,508</u>	<u>262,317</u>	<u>3,340,110</u>
Total liabilities and fund balances	<u>\$5,019,063</u>	<u>\$2,112,181</u>	<u>\$417,778</u>	<u>\$ 452,921</u>	<u>\$ 8,001,943</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2012

Exhibit D

Total fund balances of governmental funds	\$3,340,110
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,063,033
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	492,476
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(61,755)
Long-term liabilities, including bonds payable, early retirement benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,494,095)</u>
Net assets of governmental activities	<u>\$7,339,769</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$3,210,846	\$ 1,114,115	\$ 400,492	\$200,124	\$4,925,577
Tuition	359,884	-	-	-	359,884
Other	103,294	10,910	-	391,235	505,439
State sources	3,891,000	77	142	75	3,891,294
Federal sources	378,910	-	-	-	378,910
Total revenues	<u>7,943,934</u>	<u>1,125,102</u>	<u>400,634</u>	<u>591,434</u>	<u>10,061,104</u>
Expenditures					
Current					
Instruction					
Regular	3,589,074	270,017	-	171,200	4,030,291
Special	1,014,462	-	-	-	1,014,462
Other	542,366	-	-	355,174	897,540
	<u>5,145,902</u>	<u>270,017</u>	<u>-</u>	<u>526,374</u>	<u>5,942,293</u>
Support services					
Student	202,912	-	-	-	202,912
Instructional staff	208,107	29,355	-	-	237,462
Administration	954,773	-	-	-	954,773
Operation and maintenance of plant	669,367	-	-	79,990	749,357
Transportation	334,135	-	-	11,088	345,223
	<u>2,369,294</u>	<u>29,355</u>	<u>-</u>	<u>91,078</u>	<u>2,489,727</u>
Other expenditures					
Facilities acquisition	-	2,963,978	-	-	2,963,978
Long-term debt					
Principal	-	-	2,580,000	-	2,580,000
Interest and fiscal charges	-	-	250,861	-	250,861
AEA flowthrough	300,567	-	-	-	300,567
	<u>300,567</u>	<u>2,963,978</u>	<u>2,830,861</u>	<u>-</u>	<u>6,095,406</u>
Total expenditures	<u>7,815,763</u>	<u>3,263,350</u>	<u>2,830,861</u>	<u>617,452</u>	<u>14,527,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,171</u>	<u>(2,138,248)</u>	<u>(2,430,227)</u>	<u>(26,018)</u>	<u>(4,466,322)</u>
Other financing sources (uses)					
Proceeds from issuance of bonds	-	-	2,175,000	-	2,175,000
Interfund operating transfers in	-	78,857	252,643	-	331,500
Interfund operating transfers (out)	-	(331,500)	-	-	(331,500)
Total other financing sources (uses)	<u>-</u>	<u>(252,643)</u>	<u>2,427,643</u>	<u>-</u>	<u>2,175,000</u>
Net change in fund balances	128,171	(2,390,891)	(2,584)	(26,018)	(2,291,322)
Fund balance, beginning of year	1,330,953	3,967,052	45,092	288,335	5,631,432
Fund balance, end of year	<u>\$1,459,124</u>	<u>\$ 1,576,161</u>	<u>\$ 42,508</u>	<u>\$262,317</u>	<u>\$3,340,110</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Exhibit F

Net change in fund balances - total governmental funds \$(2,291,322)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 2,275,374	
Loss on sale of capital assets	(5,408)	
Depreciation expense	<u>(334,674)</u>	1,935,292

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (168,862)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$(2,175,000)	
Repaid	<u>2,580,000</u>	405,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	\$ 27,112	
Compensated absences	(10,452)	
Other postemployment benefits	<u>(44,103)</u>	(27,443)

Interest on long-term debt in the Statement of Activities differs from the amount in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,854

Change in net assets of governmental activities \$ (142,481)

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2012

Exhibit G

	Nonmajor <u>Enterprise</u> School <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$55,208
Accounts receivable	1,001
Inventories	2,669
Capital assets, net of accumulated depreciation	<u>27,676</u>
Total assets	<u>86,554</u>
Liabilities	<u>-</u>
Net Assets	
Invested in capital assets	27,676
Unrestricted	<u>58,878</u>
Total net assets	<u>\$86,554</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$235,115</u>
Operating expenses	
Support services	
Operation and maintenance of plant	
Supplies	<u>5,143</u>
Non-instructional programs	
Food service operations	
Salaries	107,799
Benefits	43,020
Purchased services	646
Supplies	204,191
Depreciation	<u>3,610</u>
	<u>359,266</u>
Total operating expenses	<u>364,409</u>
Operating loss	<u>(129,294)</u>
Non-operating revenues	
Interest income	352
Gain on sale of capital assets	8,592
State sources	2,986
Federal sources	<u>121,679</u>
Total non-operating revenues	<u>133,609</u>
Net income	4,315
Net assets, beginning of year	<u>82,239</u>
Net assets, end of year	<u>\$ 86,554</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

Exhibit I

	Nonmajor Enterprise School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 234,959
Cash payments to employees for services	(150,819)
Cash payments to suppliers for goods and services	(189,390)
Net cash used in operating activities	<u>(105,250)</u>
Cash flows from non-capital financing activities	
State grants received	2,986
Federal grants received	99,680
Net cash provided by non-capital financing activities	<u>102,666</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>352</u>
Net decrease in cash and cash equivalents	(2,232)
Cash and cash equivalents, beginning of year	57,440
Cash and cash equivalents, end of year	<u><u>\$ 55,208</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(129,294)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,610
Commodities used	21,999
(Increase) in accounts receivable	(155)
(Increase) in inventory	(1,329)
(Decrease) in accounts payable	(81)
Net cash used in operating activities	<u><u>\$(105,250)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2012 the District received \$21,999 of federal commodities.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

Exhibit J

	<u>Agency</u>
Assets	
Cash and pooled investments	\$7,416
Liabilities	
Due to others	<u>7,416</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The West Branch Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of West Branch, Iowa, and the agricultural territory in Cedar and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Branch Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The West Branch Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The District does not have any debt related to capital assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds; however, it reports one non-major proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The District's Agency Fund is used to account for activity of a student assistance program.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, compensated absences, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the

related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-20 years

Salaries and Benefits Payable - Teacher contracts and payroll for hourly employees are paid at June 30, 2012; however, the benefits on these payments are not paid until July. Therefore, these benefits have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2012. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Compensated Absences - Certain District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$85,377 for management levy purposes, \$662,344 for physical plant and equipment, \$134,384 for student activities and \$1,160,055 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures function, as well as total expenditures, exceeded the amounts budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,327,616 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The details of interfund transfers for the year ended June 30, 2012 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects	Capital Projects	
Physical Plant and Equipment Levy	Other Capital Projects	\$ 78,857
Debt Service	Capital Projects	
	Statewide Sales, Services and Use Tax	<u>252,643</u>
		<u>\$ 331,500</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payment of principal and interest on long-term debt. The transfer from the Other Capital Projects Fund to the Physical Plant and Equipment Levy Fund was to move expenditures to the more appropriate fund.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 116,055	\$ -	\$ -	\$ 116,055
Construction in progress	<u>992,968</u>	<u>-</u>	<u>(992,968)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,109,023</u>	<u>-</u>	<u>(992,968)</u>	<u>116,055</u>
Capital assets being depreciated:				
Buildings and improvements	8,688,154	3,246,449	(15,860)	11,918,743
Improvements other than buildings	1,081,833	-	-	1,081,833
Furniture and equipment	<u>1,462,306</u>	<u>21,893</u>	<u>(32,425)</u>	<u>1,451,774</u>
Total capital assets being depreciated	<u>11,232,293</u>	<u>3,268,342</u>	<u>(48,285)</u>	<u>14,452,350</u>
Less accumulated depreciation for:				
Buildings and improvements	3,516,048	225,443	(15,860)	3,725,631
Improvements other than buildings	605,568	35,052	-	640,620
Furniture and equipment	<u>1,091,959</u>	<u>74,179</u>	<u>(27,017)</u>	<u>1,139,121</u>
Total accumulated depreciation	<u>5,213,575</u>	<u>334,674</u>	<u>(42,877)</u>	<u>5,505,372</u>
Total capital assets being depreciated, net	<u>6,018,718</u>	<u>2,933,668</u>	<u>(5,408)</u>	<u>8,946,978</u>
Governmental activities capital assets, net	<u>\$ 7,127,741</u>	<u>\$ 2,933,668</u>	<u>\$(998,376)</u>	<u>\$ 9,063,033</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 156,317	\$ -	\$ (17,282)	\$ 139,035
Less accumulated depreciation	<u>133,621</u>	<u>3,610</u>	<u>(25,875)</u>	<u>111,359</u>
Business type activities capital assets, net	<u>\$ 22,696</u>	<u>\$ (3,610)</u>	<u>\$ 8,593</u>	<u>\$ 27,676</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 85,430
Other	461
Support services	
Instructional staff	539
Administration	1,071
Operation and maintenance of plant	70,716
Transportation	<u>45,066</u>
	203,283
Unallocated depreciation	<u>131,391</u>
Total governmental activities depreciation expense	<u>\$ 334,674</u>

Business type activities

Food services	<u>\$ 3,610</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,445,000	\$ 2,175,000	\$(2,445,000)	\$ 2,175,000	\$ 355,000
Revenue bonds	3,255,000	-	(135,000)	3,120,000	135,000
Termination benefits	69,668	42,556	(69,668)	42,556	42,556
Compensated absences	19,694	30,146	(19,694)	30,146	30,146
Net OPEB liability	<u>82,290</u>	<u>44,103</u>	<u>-</u>	<u>126,393</u>	<u>-</u>
Totals	<u>\$ 5,871,652</u>	<u>\$ 2,291,805</u>	<u>\$(2,669,362)</u>	<u>\$ 5,494,095</u>	<u>\$ 562,702</u>

Interest costs incurred and charged to expense on all long-term debt was \$246,007 for the year ended June 30, 2012. During the year ended June 30, 2012, the District made principal payments on long-term debt of \$2,580,000.

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. This voluntary early retirement plan is offered annually at the board's discretion. Eligible employees must be at least age fifty-five and have completed fourteen years of consecutive service to the District. Employees must complete an application, which is required to be approved by the Board of Education.

All employees who apply and are approved will receive a 50% benefit based upon certain criteria. For a teacher, the benefit is based upon the Schedule A salary, longevity and extended contract. Excluded from consideration is Phase I, II and III monies, Schedule B salary, and teacher quality money. Benefits for all other employees shall be based upon the contracted salary or yearly salary based on letter of assignment. Benefits for part-time employees shall be prorated as determined by the average of full-time equivalency of the last five years of employment

The early retirement benefits are as follows:

- A. If the employee wishes to remain on the District's insurance policy, the amount of the benefit will be placed in a Health Care Savings Plan. This contribution will be made on behalf of the employee tax-free. The deposits will grow tax-free and are used at retirement tax-free for eligible medical expenses and premiums.
- B. If the employee waives the District's health insurance policy, the benefit will be placed in a special pay deferral plan (403(b)). The contribution will be made on behalf of the employee tax-deferred. The deposits grow tax-deferred and can be accessed by the retiree at any time. The withdrawals will be taxable at the time of withdrawal to the employee.

The employee must notify the Board on or before February 1st to receive the early retirement benefits. Depending upon the economic impact to the District, the Board may limit the number of employees allowed to take early retirement in any fiscal year. At June 30, 2012, there were five individuals receiving the benefit.

Compensated Absences

District employees accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2012 was \$30,146.

Refunded General Obligation Bonds

On March 6, 2012, the District issued \$2,175,000 of general obligation bonds to refund the general obligation bond issue of July 1, 2008. On June 1, 2012 the remaining balance of \$2,445,000 of the 2008 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2012. This current refunding was undertaken to reduce total debt service payments over the next six years by \$182,200 and resulted in an economic gain of \$178,202.

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of March 6, 2012			
	Interest Rates	Interest	Principal	Total
2013	0.375%	\$ 20,070	\$ 355,000	\$ 375,070
2014	0.450%	14,905	365,000	379,905
2015	0.600%	13,262	370,000	383,262
2016	0.800%	11,043	360,000	371,043
2017	1.000%	8,162	360,000	368,162
2018	1.250%	4,563	365,000	369,563
Totals		<u>\$ 72,005</u>	<u>\$ 2,175,000</u>	<u>\$ 2,247,005</u>

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of June 1, 2010			
	Interest Rates	Interest	Principal	Total
2013	2.00	\$ 114,192	\$ 135,000	\$ 249,192
2014	2.00	111,492	135,000	246,492
2015	2.00	108,792	135,000	243,792
2016	3.00	105,417	135,000	240,417
2017	3.00	101,367	135,000	236,367
2018-2022	3.25-4.0%	430,765	775,000	1,205,765
2023-2027	4.05-4.25%	258,102	965,000	1,223,102
2028-2030	4.3-4.4%	47,121	705,000	752,121
Totals		<u>\$ 1,277,248</u>	<u>\$ 3,120,000</u>	<u>\$ 4,397,248</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,255,000 of bonds issued in June 2010. The bonds were issued for the purpose of financing a portion of the costs of a weight room and practice gym construction project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,397,248 at June 30, 2012. For the current year, there was \$116,892 of interest and \$135,000 of principal paid on the bonds and total statewide sales, services and use tax revenues were \$663,992.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$256,002 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) Proceeds of the bonds shall be deposited into the Project Account, which is to be used to finance the construction project. Interest earned by the Project Account shall remain in the Project Account and be spent in accordance with the resolution and applicable provisions of the Code.
- c) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- d) Monies in the Revenue Account shall be disbursed to make deposits into the Sinking Account to pay the principal and interest requirements of the revenue bonds.
- e) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 5.38% 4.5% and 4.30% of their annual covered salary and the District was required to contribute 8.07%, 6.95% and 6.65% of annual covered payroll for the years ended June 30, 2012, 2011 and 2010 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$374,638, \$320,201 and \$301,807, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 97 active members, of which 5 were excluded from the valuation due to various reasons, and two retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 51,011
Interest on net OPEB obligation	2,057
Adjustment to annual required contribution	<u>(4,760)</u>
Annual OPEB cost	48,308
Contributions made	<u>(4,205)</u>
Increase in net OPEB obligation	44,103
Net OPEB obligation beginning of year	<u>82,290</u>
Net OPEB obligation end of year	<u>\$ 126,393</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$4,205 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30.	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 43,998	6.3%	\$ 41,228
2011	\$ 44,536	7.8%	\$ 82,290
2012	\$ 48,308	8.7%	\$ 126,393

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$268,375, with no actuarial value of assets, resulting in an unfunded actuarial accrued

liability (UAAL) of \$268,375. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.8 million and the ratio of UAAL to covered payroll was 5.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$300,567 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program

Limited English proficiency program	\$ 5,110
At-risk	17,733
Gifted and Talented	124,880
Returning dropout and dropout prevention program	50,208
Four-year-old preschool state aid	67,272
Teacher salary supplement	48,024
Class size reduction	8,080
Textbook aid for nonpublic students	3,175
School ready children grants	325
Statewide voluntary preschool	13,583
Educator quality, professional development for model core curriculum	2,451
Educator quality, professional development	15,637
Educator quality, market factor incentives	1,491
	<u>\$ 357,969</u>

Note 12. Unspent Authorized Budget

The District's unspent authorized budget, as calculated by the Iowa Department of Management was \$1,689,343 at June 30, 2012.

Note 13. Solvency Ratio

The District's solvency ratio at June 30, 2012 is calculated as follows:

$$\frac{\text{Unassigned General Fund Balance}}{\text{General Fund Revenues}} = \frac{\$1,101,155}{\$7,943,934} = 14\%$$

Note 14. New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2012, the GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. Specifically, this Statement improves financial reporting by establishing recognition, measurement and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units

that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement

recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

- GASB Statement No. 66, *Technical Corrections – 2012*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases* and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statements also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions*

by State and Local Governmental Employers, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Required Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,790,900	\$ 235,467	\$ 6,026,367	\$ 5,729,440	\$ 5,729,440	\$ 296,927
State sources	3,891,294	2,986	3,894,280	4,116,518	4,116,518	(222,238)
Federal sources	378,910	121,679	500,589	143,000	143,000	357,589
Total revenues	<u>10,061,104</u>	<u>360,132</u>	<u>10,421,236</u>	<u>9,988,958</u>	<u>9,988,958</u>	<u>432,278</u>
Expenditures/Expenses						
Instruction	5,942,293	-	5,942,293	6,624,000	6,624,000	681,707
Support services	2,489,727	5,143	2,494,870	2,552,000	2,552,000	57,130
Non-instructional programs	-	359,266	359,266	401,000	401,000	41,734
Other expenditures	6,095,406	-	6,095,406	4,867,715	4,867,715	(1,227,691)
Total expenditures/expenses	<u>14,527,426</u>	<u>364,409</u>	<u>14,891,835</u>	<u>14,444,715</u>	<u>14,444,715</u>	<u>(447,120)</u>
(Deficiency) of revenues						
(under) expenditures/expenses	(4,466,322)	(4,277)	(4,470,599)	(4,455,757)	(4,455,757)	(14,842)
Net other financing sources	<u>2,175,000</u>	<u>8,592</u>	<u>2,183,592</u>	-	-	<u>2,183,592</u>
Net change in fund balance	(2,291,322)	4,315	(2,287,007)	(4,455,757)	(4,455,757)	2,168,750
Balance, beginning of year	<u>5,631,432</u>	<u>82,239</u>	<u>5,713,671</u>	<u>4,680,803</u>	<u>4,680,803</u>	<u>1,032,868</u>
Balance, end of year	<u>\$ 3,340,110</u>	<u>\$ 86,554</u>	<u>\$ 3,426,664</u>	<u>\$ 225,046</u>	<u>\$ 225,046</u>	<u>\$ 3,201,618</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the certified budget during the year ended June 30, 2012.

During the year ended June 30, 2012, expenditures in the other expenditures function, as well as total expenditures, exceeded the amounts budgeted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$268,375	\$268,375	\$ -	\$4,628,758	5.8%
2011	July 1, 2009	-	268,375	268,375	-	4,499,215	6.0%
2012	July 1, 2009	-	268,375	268,375	-	4,781,915	5.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Schedule 1

	<u>Special Revenue</u>		
	<u>Student</u>	<u>Management</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 133,106	\$131,301	\$264,407
Receivables			
Property tax			
Delinquent	-	2,236	2,236
Succeeding year	-	185,000	185,000
Accounts receivable	1,278	-	1,278
Total assets	<u>\$ 134,384</u>	<u>\$318,537</u>	<u>\$452,921</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 5,604	\$ 5,604
Deferred revenue			
Succeeding year property tax	-	185,000	185,000
Total liabilities	<u>-</u>	<u>190,604</u>	<u>190,604</u>
Fund balances			
Restricted for			
Management levy purposes	-	127,933	127,933
Student activities	134,384	-	134,384
Total fund balances	<u>134,384</u>	<u>127,933</u>	<u>262,317</u>
Total liabilities and fund balances	<u>\$ 134,384</u>	<u>\$318,537</u>	<u>\$452,921</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

Schedule 2

	Special Revenue		
	Student	Management	Total
	Activity	Levy	
Revenues			
Local sources			
Local tax	\$ -	\$200,124	\$ 200,124
Other	380,687	10,548	391,235
State sources	-	75	75
Total revenues	<u>380,687</u>	<u>210,747</u>	<u>591,434</u>
Expenditures			
Current			
Instruction			
Regular	-	171,200	171,200
Other	<u>355,174</u>	<u>-</u>	<u>355,174</u>
Total instruction	<u>355,174</u>	<u>171,200</u>	<u>526,374</u>
Support services			
Operation and maintenance of plant	-	79,990	79,990
Transportation	<u>-</u>	<u>11,088</u>	<u>11,088</u>
Total support services	<u>-</u>	<u>91,078</u>	<u>91,078</u>
Total expenditures	<u>355,174</u>	<u>262,278</u>	<u>617,452</u>
Net change in fund balances	25,513	(51,531)	(26,018)
Fund balances, beginning of year	<u>108,871</u>	<u>179,464</u>	<u>288,335</u>
Fund balances, end of year	<u>\$134,384</u>	<u>\$127,933</u>	<u>\$ 262,317</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Capital Project Accounts
June 30, 2012

Schedule 3

	Capital Projects			
	Statewide	Physical	Other	
	Sales, Services	Plant and	Capital	
	<u>and Use Tax</u>	<u>Equipment</u>	<u>Projects</u>	<u>Total</u>
		<u>Levy</u>		
Assets				
Cash and pooled investments				
Cash with fiscal agent	\$ 449,224	\$ -	\$ -	\$ 449,224
Other	507,578	413,781	-	921,359
Receivables				
Property tax				
Delinquent	-	2,325	-	2,325
Succeeding year	-	289,782	-	289,782
Accounts receivable	-	-	500	500
Income surtax	-	246,238	-	246,238
Due from other governments	202,753	-	-	202,753
Total assets	<u>\$ 1,159,555</u>	<u>\$952,126</u>	<u>\$ 500</u>	<u>\$2,112,181</u>
Liabilities and Fund Balances				
Liabilities				
Deferred revenue				
Succeeding year property tax	\$ -	\$289,782	\$ -	\$ 289,782
Income surtax	-	246,238	-	246,238
Total liabilities	<u>-</u>	<u>536,020</u>	<u>-</u>	<u>536,020</u>
Fund balances				
Restricted for				
School infrastructure	1,159,555	-	500	1,160,055
Physical plant and equipment	-	416,106	-	416,106
Total fund balances	<u>1,159,555</u>	<u>416,106</u>	<u>500</u>	<u>1,576,161</u>
Total liabilities and fund balances	<u>\$ 1,159,555</u>	<u>\$952,126</u>	<u>\$ 500</u>	<u>\$2,112,181</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
For the Year Ended June 30, 2012

Schedule 4

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues				
Local sources				
Local tax	\$ 663,992	\$450,123	\$ -	\$1,114,115
Other	3,910	1,350	5,650	10,910
State sources	-	77	-	77
Total revenues	<u>667,902</u>	<u>451,550</u>	<u>5,650</u>	<u>1,125,102</u>
Expenditures				
Current				
Instruction				
Regular	205,044	38,471	26,502	270,017
Support services				
Instructional staff	-	29,355	-	29,355
Other expenditures				
Facilities acquisition	<u>145,002</u>	<u>532,785</u>	<u>2,286,191</u>	<u>2,963,978</u>
Total expenditures	<u>350,046</u>	<u>600,611</u>	<u>2,312,693</u>	<u>3,263,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>317,856</u>	<u>(149,061)</u>	<u>(2,307,043)</u>	<u>(2,138,248)</u>
Other financing sources (uses)				
Interfund operating transfers in	-	78,857	-	78,857
Interfund operating transfers (out)	<u>(252,643)</u>	<u>-</u>	<u>(78,857)</u>	<u>(331,500)</u>
Total other financing sources (uses)	<u>(252,643)</u>	<u>78,857</u>	<u>(78,857)</u>	<u>(252,643)</u>
Net change in fund balances	65,213	(70,204)	(2,385,900)	(2,390,891)
Fund balances, beginning of year	<u>1,094,342</u>	<u>486,310</u>	<u>2,386,400</u>	<u>3,967,052</u>
Fund balances, end of year	<u>\$ 1,159,555</u>	<u>\$416,106</u>	<u>\$ 500</u>	<u>\$1,576,161</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2012

Schedule 5

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 1,529	\$ 7,130	\$ 1,356	\$ 2,306	\$ 9,609
Arts Angels	16,600	-	-	(16,500)	100
HS art	454	5,000	2,583	3,200	6,071
Speech/debate	-	-	99	99	-
HS vocal music	-	30	1,207	1,177	-
HS instrumental music	3,473	7,482	10,420	3,400	3,935
Show choir	-	15,068	12,756	4,400	6,712
Music travel	901	3,992	6,375	1,482	-
MS instrumental music	681	10,097	4,593	3,500	9,685
Musical	8	5,260	5,863	595	-
Swing show	3,674	3,866	2,290	(3,652)	1,598
Athletics	-	69,195	55,945	(11,742)	1,508
Booster club donation	-	25,000	-	(25,000)	-
Golf fundraiser	655	4,997	5,036	-	616
Drill team	35	-	-	-	35
Boys basketball	-	-	1,464	1,464	-
Boys basketball camp	1,655	7,457	5,987	-	3,125
Football	-	-	8,707	8,707	-
Football fundraiser	6,791	35,438	33,340	(500)	8,389
MS football	189	-	10	-	179
Baseball	-	-	2,921	2,921	-
Baseball fundraiser	3,542	5,495	4,591	-	4,446
Boys track	-	-	4,861	4,861	-
Boys track fundraiser	729	6,695	4,103	(1,500)	1,821
Boys golf	-	-	168	168	-
Wrestling	-	-	2,595	2,595	-
Wrestling fundraiser	2,934	6,008	7,220	-	1,722
Girls basketball	-	-	413	413	-
Girls basketball camp	3,823	9,093	7,646	-	5,270
Volleyball	-	-	3,698	3,698	-
Volleyball fundraiser	5,270	16,954	17,176	-	5,048
Softball	-	-	3,061	3,061	-
Girls track	-	-	10,225	10,225	-

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2012

Schedule 5

Account	Balance, End of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Softball captains	\$ 472	\$ 3,165	\$ 3,260	\$ -	\$ 377
Girls track fundraiser	876	4,521	3,255	-	2,142
Girls golf	-	-	128	128	-
Cheerleaders	588	11,029	9,568	500	2,549
HS manufacturing	-	358	440	82	-
Industrial tech club	-	1,188	602	(81)	505
Calendar	874	160	281	-	753
Spanish club	27	-	354	327	-
High school fund	3,676	6,163	5,927	(460)	3,452
Ecology club	-	-	125	125	-
Elementary school fund	4,115	9,639	10,305	-	3,449
HS yearbook	9,719	8,595	7,909	-	10,405
HS student government	877	4,034	5,331	1,000	580
Journalism - The Bear	5,665	2,306	1,955	-	6,016
Middle school fund	13,090	22,325	24,301	-	11,114
Hoover IMC	426	3,965	3,820	-	571
MS IMC	493	538	538	-	493
HS media	677	90	-	-	767
MS pop fund	518	-	50	-	468
FFA Donatino Fund	-	10,700	9,985	-	715
Family and consumer science	663	10	206	-	467
FFA	7,906	23,544	22,495	-	8,955
MS yearbook	25	2,838	2,270	-	593
National Honor Society	490	1,485	1,520	-	455
Central office	757	1,228	1,917	-	68
Economics club	384	-	-	-	384
Entrepreneurship	150	-	-	-	150
Ski club	1,565	-	-	-	1,565
Class of					
2012	815	71	-	-	886
2013	-	12,655	11,865	-	790
Hart Donation	500	5,000	-	-	5,500
Interest	554	811	-	(1,019)	346
Concessions	26	12	58	20	-
Totals	<u>\$ 108,871</u>	<u>\$ 380,687</u>	<u>\$ 355,174</u>	<u>\$ -</u>	<u>\$ 134,384</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2012

Schedule 6

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 3,769</u>	<u>\$ 5,681</u>	<u>\$ 2,034</u>	<u>\$ 7,416</u>
 Liabilities				
Due to others	<u>\$ 3,769</u>	<u>\$ 5,681</u>	<u>\$ 2,034</u>	<u>\$ 7,416</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

Schedule 7

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Local sources									
Local Tax	\$ 4,925,577	\$ 4,691,275	\$ 4,398,381	\$ 4,134,684	\$ 3,802,558	\$3,530,153	\$3,207,158	\$3,046,484	\$2,786,886
Tuition	359,884	341,921	311,607	333,537	296,713	256,336	257,077	233,158	208,726
Other	505,439	639,325	503,215	645,394	513,804	480,679	452,359	375,715	268,002
Intermediate sources	-	-	-	-	-	-	-	4,944	13,706
State sources	3,891,294	3,871,506	3,165,553	3,626,646	3,487,950	3,366,620	3,138,714	3,079,953	2,914,952
Federal sources	378,910	373,888	623,876	232,285	161,439	103,837	101,670	110,254	140,136
Total revenues	<u>\$10,061,104</u>	<u>\$ 9,917,915</u>	<u>\$ 9,002,632</u>	<u>\$ 8,972,546</u>	<u>\$ 8,262,464</u>	<u>\$7,737,625</u>	<u>\$7,156,978</u>	<u>\$6,850,508</u>	<u>\$6,332,408</u>
Expenditures									
Current									
Instruction									
Regular	\$ 4,030,291	\$ 3,248,979	\$ 3,462,979	\$ 3,861,631	\$ 3,314,655	\$3,207,172	\$2,986,032	\$2,715,358	\$2,833,913
Special	1,014,462	814,181	838,044	823,485	792,696	638,373	695,927	607,288	637,515
Other	897,540	1,202,122	1,091,710	834,467	694,487	634,199	611,646	769,602	572,011
Support services									
Student	202,912	232,893	237,065	211,360	162,540	150,008	176,789	114,682	106,769
Instructional staff	237,462	173,521	176,563	171,126	186,690	169,815	168,855	225,587	124,357
Administration	954,773	938,799	939,060	853,682	834,217	788,900	700,320	637,241	597,660
Operation and maintenance of plant	749,357	801,827	669,541	621,572	608,323	607,274	631,269	608,420	569,145
Transportation	345,223	328,325	428,549	311,792	388,764	285,488	335,477	293,685	244,661
Non-instructional programs	-	1,000	1,000	1,891	-	-	-	-	-
Other expenditures									
Facilities acquisition	2,963,978	1,666,903	1,461,246	2,598,230	718,263	476,773	490,044	196,359	392,887
Long-term debt									
Principal	2,580,000	310,000	364,752	290,000	-	-	-	-	-
Interest and other charges	250,861	177,330	107,942	123,851	-	-	-	9,150	-
AEA flowthrough	300,567	324,731	309,998	268,952	253,937	244,724	222,290	219,163	216,427
Total expenditures	<u>\$14,527,426</u>	<u>\$10,220,611</u>	<u>\$10,088,449</u>	<u>\$10,972,039</u>	<u>\$ 7,954,572</u>	<u>\$7,202,726</u>	<u>\$7,018,649</u>	<u>\$6,396,535</u>	<u>\$6,295,345</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Branch Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 1, 2013. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of West Branch Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered West Branch Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of West Branch Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Branch Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a

reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Branch Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit West Branch Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Branch Community School District and other parties to whom West Branch Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the West Branch Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
March 1, 2013

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2012

Part I. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the following duties were performed by the same individual: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the amounts budgeted in the other expenditures function, as well as in total.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should ensure that the budget is properly amended before expenditures are allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - I did not note any expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2012

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2012

Beginning balance		\$ 1,094,342
Revenues		
Statewide sales and services tax revenue	\$ 663,992	
Other local revenues	<u>3,910</u>	667,902
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 145,002	
Equipment	205,044	
Debt service for school infrastructure		
Revenue debt	<u>252,643</u>	<u>602,689</u>
Ending balance		<u>\$ 1,159,555</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2012

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant